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## The Programme for Economic Development of China.

## Board of Planning

## II

In the last issue of Tokyo Gazette, an outline was given of the China development programme, particularly with reference to functions and operations of the North China Development Company and the Central China Promotion Company. In the present article, undertakings for development and promotion purposes to be conducted by their subsidiary companies will be discussed rather fully. And in doing so, those in North and in Central China will be taken up separately.

## In North China.

The vital importance of public utility enterprises, such as transportation and harbour and port improvements and generation and transmission of electricity in relation to the general work of development of natural resources, is widely recognized. Naturally, such undertakings will be considered first.

With regard to transportation and harbour and port improvements, an immediate proposal has been the creation of a concern with the operation of railways as its principal undertaking. The question, however, as to the advisability of operating undertakings relating to harbours and ports, which have functions as essential as railways in the economic development of that part of China, under one and the same management is still an open one; concrete plans concerning this company have not been decided on.

In North China there are many railways, including the Peking-Shanhaikwan, Peking-Hankow, Tientsin-Pukow, Peking-Paotow, Shansi, Chengting-Taiyuan, Tatung-Puchow, and Shantung (Kiao-Tsi). These lines will be managed by the new railway company and the Tungchow-Kupeikow Railway, constructed by Japanese interests, which connects the Chengteh-Kupeikow Railway of Manchoukuo with the Chinese line connecting Kupeikow, Tungchow and Peking, can also be thought of as coming under the same management after the termination of the present conflict. Construction of the Tsangchow-Shihkiachwang Railway, which connects Shihkiachwang, Tsangchow and Tientsin, and which was under negotiation between Japan and the Hopei-Chahar Political Council, and of an extension line of the Shantung Railway may be called for in the near future as undertakings of the new concern.

With regard to harbour and port improvements, much is to be done by Japanese aid, since North China harbours and ports, such as Tientsin, Chinhwan, tao, Chefoo, Weihaiwei, and Lungkow are all far from being satisfactory. In particular, improvement of the port of Tientsin is a matter of urgent necessity.

The port of Tangku, which forms the outer port to the former, is situated a few miles upstream from the estuary of the Paiho, and vessels over 3,000 tons cannot be laid alongside the wharf on account of the constant discharge of mud, narrowness of the river, and lack of adequate wharf facilities. The case of Tientsin Port, which is in the distance of four hours' cruise upstream from Tangku, has been still worse, particularly in recent years. Thus vessels over 2,000 tons are not navigable, which means that many vessels have, at present, to anchor outside the sand-bank known as the Tangku Bar, and load and unload cargoes by lighters. Such a condition is even further inconvenienced with the coming of low tide; not only those vessels but also tug-boats cannot clear this bar except at high tide which comes twice a day. Such a port as can be made use of only by continually dredging the river-bed can never be improved as the only port for North China. The feasible way of solving this difficulty is to construct a port somewhere outside the mouth of the river, a port which will not be affected by mud discharged from the river. For this purpose expert investigations and studies have been conducted. Realization of such improvement and extension or construction of Tientsin Port is exigent, aside from the question as to whether port and harbour improvements be included in the undertakings of the new railway company.

With regard to communications services, a concern named the North China Telegraph and Telephone Company Limited, was established on July 30, 1938. This concern is capitalized at 35,000,000 yen, which is made up of investments by the Provisional Government at Peking amounting to 10,000,000 yen, including that in the form of equipment and other capital goods, and investments amounting to 25,000,000 yen by the North China Development Company and other companies operating in enterprises closely related to communications. Its main line of business is to construct and operate wire and wireless telegraph and telephone services, including the submarine cable. The successful operation of this new concern is expected to work greatly toward the realization of a communications policy based on Japanese-Manchoukuoan-Chinese collaboration. Needless to say, this concern is operating in communications services not only between different parts of North China but also between Japan, Manchoukuo, and the rest of the world.

Establishment of a concern or concerns for the purpose of generation and transmission of electricity, important as this is, has not as yet been fully decided on. Electric light and power companies operating in North China have not been prosperous. This is due mainly to higher rates of light and power caused by the insufficient amount of capital, the lack of superior technique, and the consequent irrational planning for generation and inefficient management of business. Besides the generating plants of these power and light companies, there are plants owned and operated by important mines and factories, which number over 100 in North China alone. All these generating and transmission systems must be controlled in a comprehensive way with a view to supplying cheap power for the benefit of the mass of the Chinese people and at the same time for facilitating the progress of economic development. In this connection, the questions as to whether the principle of one company for one class of undertakings should be applied to electrical undertakings and whether that of one company each for one district--in other words, several companies for one class of undertakings--is to be applied to them are yet to be decided on. With regard to the system of generation, abundance of coal



resources in that part of China has necessarily made all the generating plants there, as is well known, adopt the thermal generation system. However, the hydraulic system may be adopted by utilizing the water of the Lwanho, which rises in the Chengteh region in Jehol, Manchoukuo, and flows into Pohai Bay. Investigations are now being conducted by experts. To unify voltage and frequency with a view to the completion of a network of generation and transmission throughout the whole of North China under a unified plan must also be made an objective of the new concern.]

#### Natural Resources.

Enterprises for developing natural resources which will likely be aided and placed under the coordinated control by the Development Company through investment and financing, as have been previously explained, are mines and those relating to the manufacture, sale and utilization of salt. With regard to the former, iron and coal mines will be the first to receive Japanese aid.

Deposits of iron ores in North China amount approximately to 200,000,000 tons, representing more than half of the deposits in the whole of China which are said to be 350,000,000 tons. Of these only a small portion has been developed and produced. The mine having the largest deposits is the Lungyen Iron Mine in Chahar Province. Here the deposits are said to amount to some 90,000,000 tons. For the development of this mine, a semi-official company was established in 1918, and the construction of an iron works with one blast-furnace was started in Shihchingshan near Peking. The mine was supplying iron ores to the iron works at Hanyang. However, construction work and the supplying of ores were given up during the World War.

In Shansi Province, 30,000,000 tons of iron ores are said to lie in deposit, and iron works with blast-furnaces, though on a small-scale, have been established in Taiyuan and Yangchwan. A steel plant was even being planned in Taiyuan. All this is a manifestation of General Yen Hsi-shan's policy of autarchy based on the so-called Shansi Monroe Doctrine. Since, however, the ores in the Province are mostly lying dispersed and deeply deposited in the ground, their large-scale and speedy development cannot be hoped for.

In Shantung is the Chinlingchen Iron Mine. This was formerly known as the Tehhwa Company, a Sino-German joint enterprise, and placed, along with coal mines, under the management of the Lutai Company, a Sino-Japanese joint enterprise, as a result of the Shantung Agreement after the World War. As the ores found in this mine, are not suited to the ordinary process of manufacture, and also as the business could not be operated profitably, the mine has not been in operation. The deposits are estimated at between 13,000,000 and 15,000,000 tons.

An iron mine company which is expected to be established soon may centre its operations in the development of the Lungyen Mine. Iron Works at Shihchingshan, Taiyuan and Yangchwan may also come under its management. Part of the ores from this mine and the surplus of pig iron produced in these iron works will be exported to Japan, while steel produced will be consumed on the spot. Already the Hsingchung Company is exporting to Japan the ores mined years ago.

Coal is another important mineral product in North China. In Shantung Province, deposits are said to total more than 1,500,000,000 tons. Important coal-fields in the Province are those at Poshan, Tzechwan, Changkiu and Fangtze. Their annual outputs amount to 1,500,000, 7-800,000 and 4-50,000 tons respectively. Of these, the Tzechwan and Fangtze Mines have been operated by the Lutai Company, which has been referred to elsewhere. And the Poshan Field includes the Heishan Mine, which produces coal of superior quality. This mine, operated by the Potung Company, a Sino-Japanese joint enterprise, produces more than 100,000 tons annually, a certain amount of which has been exported for making coke and for other purposes.]

Along the Lung-Hai Railway, to the east of Haichow and to the north of Taierhchwang, there is the Chunghsing Coal Mine, which, producing coal of superior quality amounting annually to some 1,700,000 tons, has been supplying Central China. Along the Shansi Railway and not far from the Hopei-Shansi border is the Tsingsing Coal Mine, whose annual output amounts to 700,000 tons. In this neighbourhood also is the Chengfeng Mine, whose annual output is 300,000 tons. The former is owned by the Hopei Provincial Government and had been invested in partly by German interests. German holdings, however, were purchased toward the end of last year by the Hsingchung Company. Hopei Province has a coal-field also at Mentowkow, southwest of Peking. This coal-field, with an annual output of 300,000 tons, has been operated as an Anglo-Chinese enterprise.

[Deposits in the Kailan Coal Mine an Anglo-Chinese joint enterprise, are said to be over 300,000,000 tons and annual outputs range from 4,600,000 to 5,000,000 tons. The coal from this mine is of a superior quality and adequate for industrial uses, particularly for the use of the iron industry; Japan is also importing it annually to an amount exceeding 1,000,000 tons. This enterprise will not come within the scope of the Development Company.

The above description of coal deposits in North China is sufficient to give readers an idea of how rich that part of China has been in coal resources. That, however, represents only part of the whole deposit. In Shansi Province the deposits are estimated at twenty times as much as the total amount of the figures given in the foregoing, that is to say, at tens of billions of tons. These resources, fabulously rich as they are, have never been developed as they should be. The only coal-field developed on a relatively large scale is that in the Tatung district, which is situated at the northern extremity of the Province. Even that is quite insignificant in annual output as compared with the deposits, the former being approximately 500,000 tons and the latter more than 10,000,000,000 tons. Another coal district with huge volumes of deposits is the Fenlin Mine along the Fen River. Deposits in this mine alone are estimated at some 30 billion tons. Other coal fields in North China are: Pingting and Taiyuan in Shansi; Sintai, Ichwan, Hwafeng and Hwapao in Shantung; Tzuhsien, Lingcheng and Tsitang in Hopei; and Liuhokow and Chiaotso. The last named is operated by an Anglo-Chinese joint concern. Thus the deposits in all the Provinces of North China are estimated to total to 130-40 billion tons, representing 50-70 per cent of those of the whole of China. The total annual output, however, amounts to no more than some 15,000,000 tons. Here again, the question as to the principle governing the number and distribution of companies to be established for the mining and sale of coal from those widely dispersed coal-fields and its sale has yet to be decided on.



In developing these coal resources, the new company will aim at ensuring smoothness in the domestic consumption of coal in China by carrying out controlled supply, and at the same time meeting its demands in Japan, particularly the urgent demands for cohesive coal for the purpose of manufacturing iron. The volume of coal consumption in Japan will rapidly increase with the development of her industry, while the increase in production of coal is not likely to keep pace with such growing demands. As things stand, it will be necessary, ten years hence, to import annually hundreds of millions of tons. In the light of the current rates of foreign exchange and of transportation charges, not to speak of the programme of industrial expansion in Manchoukuo, which will perhaps demand the greater part of her own coal outputs, the natural direction to which Japanese industry will turn for the supply of coal must be that of China.

Coal fields in Kailan and in Shantung alone, however, cannot be depended upon for such a purpose, because of their limitations in outputs, natural conditions or ages. The field most suitable for the purpose, in other words, for large-scale new development is held by many experts to be the Tatung field, the annual output of which can be made, according to them, to reach the 200,000,000 ton level.

A concern for operating in the production, by liquefying coal, of liquid fuels, in which the three countries of Japan, Manchoukuo and China are suffering from shortage, is also being planned.

As for an enterprise concerned with the manufacture, sale and utilization of salt, it constitutes an indispensable item in the development programme; and its foundation, of course, is the salt field. Principal fields in North China are the Changlu Salt-Field in the neighbourhood of Tangku and along Pohai Bay and the Shantung Salt-Field with Kiaochow Bay as its centre. In China, however, the exportation of salt has not only been prohibited except in cases where there are special international agreements, such as the Treaty of Shantung, but also rendered impossible on account of the imposition of the extremely high rate of taxation. Consequently, conditions wherein hundreds of thousands of tons of surplus salt were piled up on the shore had existed. Before the outbreak of the present Affair, negotiations between Japan and both the Nanking Government and the Hopei-Chahar Regime resulted in the lowering of their tax rates and the permitting of the exportation of salt. Accordingly, Changlu salt began to be exported to Japan by the Hsingchung Company. With regard to Shantung salt, Japan has been buying a certain given amount annually at a low tax rate as stipulated in the Treaty of Shantung. The annual demand for salt in Japan, on the other hand, amounts at present to over 2,300,000 tons, comprising 800,000 tons for food and 1,500,000 tons for industries. These figures, however, will be doubled in the near future as soda industries develop. Salt for industrial purposes is used, up to 95 per cent, in these industries, and of the soda products more than half will be used for the manufacture of rayon and staple fibre. Thus, salt for industrial purposes, soda, rayon and staple fibre are closely related, and the supply of salt of this kind has an important bearing upon Japanese industries, particularly upon the textile industry.

Salt imported to Japan from overseas territories and foreign countries, which amounts even today to 1,500,000 tons, can be classified, according to the places of its production, into two kinds, pelagic and coastal salt. The latter kind is imported, excepting the supply from overseas territories, from Manchoukuo, China, French Indo-China and Java; while the former is imported mainly from African Eritrea, Italian and French Somaliland, Egypt, Sudan and Aden. For supplying the growing demands of salt in Japan, it is certainly advisable, for economic and other reasons, to depend as much as possible upon salt from China. Accordingly, the rehabilitation and increase of production of Changlu and Shantung salt by the new concern are urgently called for from the standpoint of the expansion of Japanese industries as well as from that of the domestic consumption in China for food and industries.

With regard to the utilization of salt, the soda factory owned by the Yungli Company and the salt works owned by the Chita Company, both of which are in Tangku, as well as the salt works owned by the Yungyu Company at Tsingtao, are likely to come under the management of the new concern. A plant for washing salt is also being planned by the same concern.

In Central China.

Industrial promotion in Central China has been planned to include the reconstruction and development of railways centring in Shanghai, bus and communication services, electrical undertaking, waterworks, mining and fisheries. Plans regarding concerns to be established as subsidiary companies of the Central China Promotion Company have been making progress.

Of the above enterprises, the most important are railways. Since Central China is the most densely populated area in all China and since it contains in it Shanghai, the economic centre, and Nanking, the former political centre, the demands for transportation services have been exceedingly great, as has been evidenced by the fact that railways there have a total length of 800 kilometres despite the growth of water-transportation on the Yangtze and other rivers. Railways in North China are the Nanking-Shanghai Railway; Shanghai-Hangchow-Ningpo Railway, which connects the three cities, though uncompleted between Hangchow and Ningpo; the Soochow-Kashing Railway; and the Kiangnan Railway connecting Nanking, Wuhu and Sunkianpu, Anhwei Province. All these railways were greatly damaged by the recent fighting, and are now being operated by the Japanese Army which has repaired them temporarily. It is exigent for the restoration of peace and order and the transportation of goods and passengers that they should be reconstructed and their rolling stock replenished. The new railway company to be established will take up the work of rehabilitation and operation of these lines. Furthermore, it is planning to construct new lines connecting the existing lines with the Woosung and the Hongkew wharf in Shanghai.

With regard to communications services, a concern named the Central China Communication Company, Limited, was established on July 30, 1938. This concern is capitalized at 15,000,000 yen, of which 6,000,000 yen represents an investment by the Promotion Company, 4,000,000 yen that by communications interests in Japan, and 5,000,000 yen that by the New Government at Nanking in the form of existing equipment. The new concern will function for the



unification and operation of wire and wireless telegraph and telephone services between China and Japan and between cities and localities in that part of China, and at the same time for the restoration and operation of wireless communications with the rest of the world and of cable communications with North China. Plans for the improvement and extension of services will also be taken up.

Radio broadcasting, belonging as it does to the same category of undertakings, will not, for the time being, be included within operations of the Communication Company.

A concern, the Central China Electric Company, Limited has also been established for the purpose of operating in electrical and water-supply undertakings. Of its capital of 25,000,000 yen, 7,500,000 yen represents an investment by the Promotion Company, 2,500,000 yen that by Japanese electrical interests, and 15,000,000 yen that by the Chinese in the form of the equipment, comprising 9,000,000 yen for electricity and 6,000,000 yen for water supply.

Operation of the new electric company will be started on the basis of a merger of electric companies at Nantao, Chapei, Pootung, Sianghwa, Chenju, and Tachangchen, and also of two water-supply companies in the Shanghai district. The first step in the activity of the concern will be to restore the operations of these old companies on the new basis, and then to try to effect the coordinated development of electrical undertakings in the entire area in Central China under Japanese occupation. Thus, enterprises at Soochow, Wuhsi, Hanchow and Nanking will be brought under its management by acts of purchase. On the other hand, the water supply service will be made a separate, independent concern in the future when circumstances become favourable.

#### Iron Mines.

Central China has also been blessed with iron mines, the most essential natural resource for modern nations. Iron deposits in the Yantze Valley are said to amount approximately to 100,000,000 tons, representing 35 per cent of the total deposits in all China. Favourably situated geographically and producing rich ores, these resources have been developed to a greater extent than those in North China. Viewed as a whole, however, the development of iron resources in the country has been extremely insignificant in relation to the total volume of deposits of the ores, their total annual output being no more than 1,300,000 tons.

In the part of Central China under Japanese occupation, districts lying between Nanking and Tunglinghsien, Anhwei Province, are rich in these resources. As a matter of fact, the Nanshan, Tawashan, Tungshan and Hwangmoishan Iron Mines, which lie to the northeast of Taiping, have been supplying ore to Japan. Other mines similarly supplying Japan with their rich iron ores are Chungshan, Tinoyushan and Taochung. These and undeveloped mines in the lower Yantze Valley, including those in the neighbourhood of Lake Weishan, are estimated to hold deposits amounting to more than 100,000,000 tons.

For the purpose of developing these resources, the Central China Iron Mine Company, Limited came into being on April 8, 1938. This company has not as yet been fully capitalized, the only principal investment in it being 10,000,000 yen by Japanese interests, including that of 4,500,000 yen by the Promotion Company. The investment by Chinese interests, other than a negligible amount already invested in the form of deposit money, will be made in the form of equipment and goods, when negotiations have been concluded regarding appraisals of their mines. Furthermore, since the Wuhan district has been occupied by Japan, the rehabilitation and development of the Tayeh and other mines in the upper Yantze Valley have now been called for.

#### Other Enterprises.

A concern for controlling transportation on creeks has also been established as one of the subsidiary companies. Simultaneously, plans are favourably progressing for the creation of concerns to operate in bus services, fisheries, and salt manufacture in the neighbourhood of Haichow.

Thus, through well-planned, thoroughgoing Japanese aid, the economic life of the new China will fast be revived and developed not only for the prosperity of the Chinese people but also for that of all countries in East Asia.

In many of the above-mentioned enterprises foreign capital has been invested. In connection with the further development of the businesses concerned, practical adjustments will have to be worked out with the foreign interests. Study has already been given to this problem and it is expected that local circumstances will soon enable satisfactory solutions to be made. The harmonious collaboration of foreign interests and further investments of capital for the development of China's immense resources will be genuinely welcomed.